



PAPERWORK REDUCTION NOTICE: Forms 160 and 165 are issued under P.A. 167 of 1933, 94 of 1937 and 281 of 1967, all as amended. Form 161 issued under P.A. 167 of 1933 and 94 of 1937, both as amended. See penalty and interest provisions.

Sales Tax, Use Tax, Income Tax Withholding and Michigan Business Tax Estimates Forms and Instructions

Effective December 1, 2007, Public Act 93 of 2007 imposes 6 percent use tax on a select group of services. See the “What’s New” section, page 3, for more information. Detailed information on recent tax law changes is also available on Michigan Department of Treasury’s Web site at www.michigan.gov/taxes.

Filing Requirements for Taxpayers

You are required to file each return, even if no tax is due.

Your filing frequency is determined by the Michigan Department of Treasury.

| Filing Frequency | Due Date | Combined Return | Discount Voucher (Optional) | EFT* ACH Debit or Credit | Annual Returns |
|--|--|-----------------|-----------------------------|--------------------------|----------------|
| Annual Filer Only (1 Return) <i>Total tax liability of less than \$750 for a calendar year (January – December).</i> | February 28 (after tax year end) | | | | ✓ |
| Quarterly Filer (4 Returns) <i>Total tax liability of \$750 - \$3,600 for a calendar year (January – December).</i> | 20th of the month following quarter's end | ✓ | ✓ | | ✓ |
| Monthly Filer (12 Returns) <i>Total tax liability greater than \$3,600 for a calendar year (January – December).</i> <i>Seasonal Filers – see Page 8.</i> | 20th of the following month | ✓ | ✓ | | ✓ |
| Electronic Fund Transfer (EFT) <i>Available to all taxpayers - transmissions are required on a monthly basis.</i> | 20th of the following month | | | ✓ | ✓ |
| Accelerated Sales and Use Tax EFT <i>Required for Sales or Use Tax liability of at least \$720,000 for the preceding calendar year.</i> | Transmissions each month: • 1st payment 20th of the month • 2nd payment last day of the month • 3rd payment 20th of the subsequent month | | | ✓ | ✓ |
| Accelerated Withholding Tax EFT <i>Required for Withholding Tax liability that averages \$40,000 or more each month.</i> | Paid according to federal schedule | | | ✓ | ✓ |
| Accelerated Withholding Tax EFT <i>Elect to pay Sales and Use Tax via check and return.</i> | Paid according to federal schedule | ✓ | | ✓ | ✓ |

* EFT = Electronic Funds Transfer

Important Due Dates

Discount Voucher 12th of the month following the tax period
 Monthly/Quarterly Return 20th of the month following the tax period
 Annual Return February 28
 W-2s, 1099-MISC February 28

Important Information

You must file each return even if no tax is due.

Annual Return Label. To ensure proper credit to your account, remove the personalized address label you have been sent and place it on your annual return. Annual returns that are not properly identified cannot be processed.

Streamlined Sales and Use Tax. Streamlined Sales and Use Tax legislation resulted in changes regarding collection and filing of sales and use tax. For additional information, visit Treasury's Web site at www.michigan.gov/treasury.

Collection Schedule. Effective January 1, 2006, Form 395, *Michigan 6% Sales Tax Collection Schedule*, is no longer valid. To determine the tax, retailers must compute the tax to the third decimal place and round up to a whole cent when the third decimal place is greater than four, or down to a whole cent when the third decimal point is four or less.

Filing by EFT. Using EFT to submit your sales, use and withholding tax payments eliminates the requirement to file monthly or quarterly paper returns, with the exception of Form 165, *Annual Return for Sales, Use and Withholding Taxes*. Form 2248, *EFT Debit Application*, or Form 2328, *EFT Credit Application*, must be completed and signed by an officer giving his or her title and returned to Treasury. To find out more about the EFT process, visit www.michigan.gov/biztaxpayments.

Accelerated Tax Payments. Taxpayers who pay more than \$480,000 in withholding tax each year are required to pay according to their federal schedule and must pay withholding taxes by Electronic Funds Transfer (EFT). You are encouraged to file all your taxes by EFT as this will eliminate the need to file monthly paper returns. For additional information, see Form 4285, *Questions and Answers About Paying Your Withholding Tax on an Accelerated Schedule*, or go to www.michigan.gov/biztaxpayments.

Filers who pay more than \$720,000 in sales or use tax each year must pay their sales and use taxes more frequently. Payments must be made by EFT. If this applies to you and you have not been contacted by Treasury, or you would like more information about accelerated payments, see Form 2316, *Questions and Answers About Paying Your Sales and Use Tax on an Accelerated Basis*, or go to www.michigan.gov/biztaxpayments.

Filers Who Pay Once a Year. Filers with no deductions should use the simplified instructions on page 15.

Address or Business Changes. To make address or business changes, use Form 163, *Notice of Change or Discontinuance*, you have been sent. Do not write the information on the return.

Pre-Identified Returns and Vouchers. Form 160, *Combined Return for Michigan Taxes*, and Form 161, *Discount Voucher for Sales and Use Taxes*, contain specific information about your account that is processed by electronically scanning the document. Do not change, copy or use forms from another business. If you lose your booklet of return and/or voucher coupons, contact Treasury to have a new one mailed to you. Use the correct pre-identified form for the period for which you are filing.

General Information

Call (517) 636-4730 or visit Treasury's Web site at www.michigan.gov/businessstax for:

- Existing EFT account questions
- Specific account questions (credits, assessments, penalty waivers, etc.)
- Technical questions (taxability of items, law changes, etc.).

Listen to all options on the automated phone system before making a selection. Persons who have hearing or speech impairments may call (517) 636-4999 (TTY only).

Write to Treasury

Send correspondence to:

Customer Contact Division
Michigan Department of Treasury
P.O. Box 30427
Lansing, Michigan 48909

Write your account number on all checks and correspondence. Returns should be sent to the address on the return.

What's New

Use Tax on Other Services. Effective December 1, 2007, Michigan's Use Tax Act has been amended to impose 6 percent use tax on an expanded number of services. All businesses that provide one of the services listed below will be required to register and pay use tax. Businesses currently registered for use tax will need to take no

further action involving registration. Businesses not currently registered for use tax but registered to pay other taxes in Michigan should complete and file Form 163, *Notice of Change or Discontinuance*.

The *Annual Return* (Form 165) and worksheets were revised to add line "3a" for reporting taxable services. Beginning December 1, 2007, monthly and quarterly filers should pay use tax on services using Form 160, *Combined Return for Michigan Taxes*, line 03 (Use Tax on Sales/Rentals).

An expanded definition of services, including exceptions to the services subject to use tax, and more detailed information on the tax law changes are available on Michigan Department of Treasury's Web site at **www.michigan.gov/taxes**.

List of Additional Other Services Subject to 6% Use Tax. (The following list consists solely of categories enumerated in the law. Additional review of background information should be done to insure a complete understanding of items that are included and excluded from each category.)

- Carpet and upholstery cleaning services
- Business service center services
- Consulting services
- Investigation, guard and armored car services
- Investment advice services
- Janitorial services
- Landscaping services
- Office administration services
- Other personal services
- Other travel and reservation services
- Scenic transportation services
- Skiing services
- Tour operator services
- Warehousing and storage services
- Packaging and labeling services
- Specialized design services
- Transit and ground passenger transport services
- Courier and messenger services
- Personal care services (except hair care services)
- Service contract services in which the seller, in exchange for the buyer's single payment, agrees to provide repair, maintenance, or replacement of one or more items of tangible personal property during a specific period of time, which services the buyer is not required to buy in connection with the purchase of tangible personal property
- Security system services

- Document preparation services
- Miniwarehouse services and self-storage unit services

Form 165, *Annual Return for Sales, Use and Withholding Taxes*, has been updated to reflect the following:

- Removed the 4% tax rate columns for Sales Tax and for Use Tax on Sales and Rentals. Businesses identified as collecting tax at both the 4% and 6% rate will receive a separate mailing of instructions, monthly/quarterly worksheets, and a new annual return providing both tax rate columns.
- Added an indicator box and date field to be completed if you use this form to submit amended figures. Explain the reason for the amendment in the area provided on page 2 of the form. Additional information regarding amended returns may be found on page 7.

Form 160 is updated to allow for reporting and paying your Michigan Business Tax (MBT) Estimates. (See page 45 for additional information regarding the Michigan Business Tax.) The tax line

Before mailing your return, make sure:

1. The label provided is placed on Form 165.
2. Monthly or Quarterly copies of Form 160, are completed using tax due figures only. Gross sales figures are reported on the annual return only.
3. Figures entered on return correspond to the description provided for that tax line.
4. Subtotal amounts have not been entered on Form 160.
5. Account information changes have not been requested on the return. File Form 163, for these changes.
6. A return is submitted for each filing period required according to your filing status. **This includes return periods that have zero due or no activity.**
7. Payment for the Michigan Business Tax (MBT) estimate is enclosed with Form 160 if reporting your MBT estimate on that form.
8. All discounts have been calculated and reported correctly.
9. Appropriate pre-identified return is used for filing period indicated on that return.
10. Negative/credit figures have not been entered on the return.
11. Tax payment is enclosed with return.
12. Your account number is written on your check.

for Single Business Tax Estimates is replaced by MBT Estimates.

Magnetic Media/W-2 Reporting. Effective for the tax year 2008, the State will only accept magnetic W-2 reporting in the format published by the Social Security Administration. Complete filing and format instructions are provided on Form 447, *Transmittal for Magnetic Media Reporting of W-2s, W-2Gs, and 1099s to the State of Michigan*.

Business Self Service. You may now check your sales, use and withholding tax transactions online at www.michigan.gov/businesstax. You may also ask questions about your account by clicking on the appropriate buttons and following the instructions.

E-Registration for Business Taxes. If you already have a Federal Employer Identification Number (FEIN) and wish to register for business taxes, you may submit your registration information online.

By completing your application online your business can:

- Receive your Sales Tax License within seven days
- Add, change, or delete taxes or licenses from its registration.

Registration information and a link to the joint Unemployment Insurance Agency/Treasury e-Registration site can be found by visiting www.michigan.gov/businesstaxes.

Registering and Filing Returns

Businesses that make retail sales or hire employees must file periodic returns to pay the sales (or use) and the withholding taxes due. Treasury sets a monthly, quarterly or annual filing frequency depending on how much you owe. If you receive a coupon book, it will have the correct number of forms you need.

Your filing frequency may change over time. When it does, Treasury will notify you and send you the necessary materials. If you file only once annually and your accumulated sales, use and withholding taxes become \$750 or more, you must notify Treasury immediately. We will change your filing status and provide you with the appropriate tax materials.

Sales Tax

You must register to pay sales tax if you make retail sales of goods in Michigan such as food, shoes, toys, clothes or appliances, **even if the items you sell are not taxable.**

Qualified nonprofit organizations. If your gross sales are less than \$5,000, you do not need to collect or pay sales tax. But any tax you do collect must be paid to Treasury regardless of the amount of gross sales. For example, if you expect your gross sales to be \$6,500 and collect sales tax, but later find your gross sales were only \$4,000, you must pay the sales tax collected to Treasury. See the worksheet instructions for line 5i on page 10.

You must register even if the items you sell are not taxable. If you don't collect sales tax on your sales, but your sales exceed \$5,000, you are liable for the tax on the sales. For more information, see page 46 to request *Revenue Administrative Bulletin 1995-3* or contact the Customer Contact Division, Technical Services Division, at (517) 636-4730. Revenue Administrative Bulletins can also be found at: www.michigan.gov/treasury

Use Tax on Sales and Rentals

You must register and pay use tax if you:

- Are doing business in Michigan but do not have a retail location in Michigan;
- Voluntarily collect use tax for your customers;
- Sell telephone, telegraph and other leased wire communication services;
- Rent hotel and motel rooms or other accommodations;
- Lease tangible personal property to Michigan customers from a Michigan or an out-of-state location; or
- Operate a business that provides other services as defined in Public Act 93 or 2007.

Use Tax on Purchases

Almost every business has a use tax liability. You must pay use tax on your purchases if you:

- Buy goods from out-of-state, unlicensed vendors, unless a valid exemption can be claimed;
- Buy inventory for resale on which no tax is due, then remove items from that inventory for personal or business use; or
- Use the items you buy for resale to make gifts for friends and family or for other personal uses.

Income Tax Withholding

You must register and pay income tax withholding if you:

- Are a flow-through entity, S-corporation, partnership, limited partnership or limited

liability partnership with taxable income available for distribution to nonresident members;

- Pay wages to an employee; or
- Withhold income tax amounts from other kinds of payments (e.g., lottery winnings, insurance payments, retirement income, etc.).

For complete withholding information, see Form 446, *Michigan Income Tax Withholding Guide*.

If you are self-employed and expect your annual tax due to be more than \$500, you must report and pay income tax quarterly using Form MI-1040ES, *Michigan Estimated Individual Income Tax Voucher*. Otherwise, you may pay your income tax on Form MI-1040, *Michigan Individual Income Tax Return*.

Flow-through entities (S-corporations, partnerships, limited partnerships, limited liability companies and limited liability partnerships) are required to withhold Michigan income tax on the taxable income available for distribution to nonresident members. The amount of withholding is calculated and remitted on a quarterly basis by multiplying 3.9% by the share of taxable income allocable to each member, adjusted for the allowable exemption amount for a quarter.

A flow-through entity is also required to withhold Michigan income tax when one or more of the entity's members is a nonresident flow-through entity. The flow-through entity in Michigan shall withhold Michigan income tax from any such nonresident flow-through entity on behalf of all of the nonresident members.

What Form to File and When to File It

With this booklet you received the following forms personalized with your business name and account number: a monthly (or quarterly) return, an annual return, a notice of change in your business status and a discount voucher (for sales and use tax filers only). Some forms may not apply to you. Below is a description of each form.

Form 160, *Combined Return for Michigan Taxes*

Monthly and quarterly filers not registered to file electronically must use this return. (Annual filers and EFT filers do not use this return.) **You are required to file even if no tax is due.**

The return and payment are due on or before the 20th of the month following the tax period (month

or quarter). If the 20th falls on a holiday or weekend, the due date is the first business day following the weekend or holiday.

When you file the paper return, you need to complete only one form and **write a single check** for the total sales, use, withholding and Michigan business taxes due.

Form 161, *Discount Voucher for Sales and Use Taxes*

The discount voucher is only used by filers who pay **part of their tax** early to obtain a discount. If you pay all your tax early, use Form 160; you will still get your full discount. If you use a voucher to make an early payment, you must still file a return, even if your balance due is zero.

Monthly filers who owe less than \$1,200 in sales or use tax, quarterly filers and taxpayers who file just once a year, **do not use this voucher**.

When the tax rate increased from 4% to 6%, the law required 100% of the 2% increase to go to the school aid fund. The additional 2% is not discounted. Therefore, discounts are calculated using 2/3 (.6667) of the sales and/or use tax collected at the 6% tax rate.

Form 163, *Notice of Change or Discontinuance*

Use this form to notify Treasury of any change in your account. You must report:

- Change in mailing address
- Change in legal business address
- Change in account number
- Discontinuance of business
- Sale of all or part of a business
- Sale of a business but operating another business
- Change of ownership, i.e., adding a partner or incorporating
- Addition or deletion of a tax type
- Change in seasonally active months.

Form 165, *Annual Return for Sales, Use and Withholding Taxes*

All sales tax, use tax and income tax withholding filers **must** file this return each year, even if no tax is due. This is the only return required from businesses that file once a year. For taxpayers who submit monthly or quarterly returns, the annual return balances the tax due for the year with the monthly or quarterly payments made during the year. **Do not use the annual return instead of your**

monthly or quarterly returns. The annual return and payment are due February 28.

If You Don't Have Returns

Not having returns does not relieve your obligation to pay timely. Pre-identified returns have been mailed for your account and should be used when available. If a pre-identified return is not immediately available, Form 160 is available at www.michigan.gov/businessstaxes. Instructions and a mailing address will be provided once the form is accessed on the Web. If Internet access is not available, send your payment with a letter including your name, address, phone number, account number, return period and the amount of each tax and payment involved.

If you are including payment, mail to:

Michigan Department of Treasury
Department 77003
Detroit, MI 48277-0003

If you are not including payment, mail to:

Michigan Department of Treasury
Lansing, MI 48930

When using these options, you should include a written request with your payment, or contact the Registration Unit at (517) 636-4660 for a new set of pre-identified returns to be mailed to you.

Late or Insufficient Payment

Returns filed late or without payment of tax due are subject to both penalty and interest. Instructions for line 18 on the worksheet explain how to figure penalty and interest on monthly or quarterly returns. The annual return instructions for line 26 explain how to figure penalty and interest on annual returns. Additional penalties may be charged for failing to meet statutory requirements.

If your return is not filed, Treasury will estimate your tax and bill you. Also, late filing of a return may result in an immediate assessment and possible legal action may be taken to collect unpaid taxes, penalty and interest.

Legal action may include filing liens on real and personal property, levying on bank accounts or receivables, seizure and sale of assets and cancellation of your sales tax license. Business owners and corporate officers may be held personally responsible for unpaid taxes.

Accelerated, monthly and quarterly taxpayers who fail to file the annual return are subject to a penalty

of \$10 per day from the due date until the return is filed. Maximum penalty is \$400.

License or Registration

Sales tax licenses as well as use tax and income tax withholding registrations are renewed annually unless discontinued by the taxpayer or by Treasury.

You **may not** use the sales tax license to purchase goods and supplies for your own use. See page 5 for information about use tax.

Sales tax licensees who buy goods for resale must furnish their suppliers with a completed Form 3372, *Michigan Sales and Use Tax Certificate of Exemption*, containing their sales tax license number or provide the same information to the seller in another format.

Taxpayer's Account Number

If you had an FEIN when you registered, your Michigan taxpayer account number is your FEIN. If you did not have an FEIN when you registered, you have been assigned a Treasury (TR) number. In some instances, a Michigan Establishment (ME) number has been assigned.

You may have been assigned both an ME number and an FEIN, or multiple ME numbers. Keep your tax accounts accurate by filing separate returns for each account number.

Amended Monthly/Quarterly Returns

NOTE: Form 160 is used to amend periods in the current year. Use the annual return to amend previous years.

If an amendment for the current year results in additional tax due, complete the return with the corrected figures, write "amended return" on the top of the form and send your return and payment to the address listed on the form. Attach an explanation for the amendment and write your account number and the filing period on the correspondence.

If the amendment results in a credit within the current year, do not change the figures on the return for the period being amended. Carry the credit forward on your worksheet and reduce the tax due on the monthly/quarterly return. Continue until you have an amount due and enter and pay the amount on the next monthly/quarterly return filed.

Do not enter a negative amount on Form 160 – scanning equipment reads all entries as debits (money owed). See instructions for worksheet, line

21. If the amendment results in a credit carried forward to the next year, use Form 165. Treasury will notify you when your credit is available.

Amended Annual Returns

NOTE: Form 165 is used to amend previous years. Use Form 160 to amend periods in the current year.

To amend Form 165 for a previous year, complete the return with the corrected figures. Check the "Amended Return" box on page 1 and indicate the date amended. On page 2 of Form 165, write an explanation for the amendment.

If the amendment results in additional tax due, send your return and payment to the address listed on the form. If the amendment results in a refund or credit forward, send the form to:

Customer Contact Division
Michigan Department of Treasury
P.O. Box 30427
Lansing, MI 48909

Treasury will notify you when your credit is available.

W-2 Corrections

If you find an error in the Michigan withholding on a W-2 after it has been issued, do not issue a corrected W-2 for less withholding than was on the original W-2. This type of correction must be handled between the employer and the employee or by the employee on Form MI-1040. Do not request a refund for this type of error using an amended Form 165.

Gasoline Retailers and Wholesalers

Complete Form 160 or 161 first; then carry forward your payment figure to Form 2189, *Gasoline Retailer Supplemental Report*, or to Form 429, *Gasoline Supplier and Wholesale Distributor Prepaid Sales Tax Report*, and complete.

Attach your supplemental report to your return. Write your business name and account number on all supplemental reports to ensure you are credited properly for prepaid sales tax on gasoline.

The credit will reduce the amount of tax you will pay with your monthly or quarterly tax returns. If you have a start-up loan from December 1983, you may apply any credit above your tax due or you may complete Form 3891, *Refund Request for Prepaid Sales Tax on Gasoline*. When preparing Form 165, include the gasoline retailer and wholesaler prepayments on line 13b.

Seasonal Taxpayers

You must file a return for each of the seasonally active months shown on your returns, **even if no tax is due**. Also, if you make sales or pay wages during the months when you are normally closed, you must file returns for those months. Seasonally active months may be changed by completing Form 163.

Returns Due After Selling or Quitting Business

All taxpayers must submit a final monthly or quarterly return within 15 days after the date of selling or quitting business. **Your final annual return is due by February 28.** Contact the Tax Clearance Unit at (517) 636-5260 to be sure all debts have been satisfied.

Instructions and Worksheets

This book includes instructions and worksheets to calculate your tax due and prepare returns for sales, use and withholding taxes. Most taxpayers collect and pay tax at only the 6% rate and don't need a worksheet with a 4% column. Taxpayers who still collect at the 4% rate will receive a different set of worksheets and an annual return with both the 4% and 6% columns. If you don't receive the worksheets and need them, contact the Customer Contact Division at (517) 636-4730.

Keep the completed worksheets for your records and for possible audit. **Do not** file your worksheet in place of filing a monthly, quarterly or annual return. Filing the wrong form delays crediting your account.

Line-by-Line Instructions – Monthly and Quarterly Worksheets

Begin on line 15 if filing withholding only. Go to page 13 if you file once annually.

Line 1. Gross Sales

Column A, Use Tax on Sales and Rentals - This line is for out-of-state retailers who do not have retail stores in Michigan. Enter total sales of tangible personal property including cash, charge and installment transactions.

Column B, Sales Tax - Enter total of all sales of tangible personal property including cash, charge and installment transactions.

Line 2. Rentals. Column A - Lessors of tangible personal property who pay use tax on rental

receipts must enter rental income. Also enter total hotel and motel room rentals including assessments imposed under the Convention and Tourism Act, the Convention Facility Development Act, the Regional Tourism Marketing Act, or the Community Convention or Tourism Marketing Act. See Line 5i for instructions on deducting the assessments from rentals.

Column B - Does not apply.

Line 3. Communication Services

Column A - Enter gross income from telephone, telegraph and similar telecommunications services.

Column B - Does not apply.

Line 3a. Receipts from Other Services

Column A - Enter gross receipts from other services subject to use tax.

Column B - Does not apply.

Allowable Deductions

Use lines 5a - 5j to deduct nontaxable sales you made from gross sales. Deductions taken for tax

exempt sales must be substantiated in your records. For certain exemptions, you must obtain a completed copy of Form 3372, or the same information in another format, from the purchaser.

Line 5a. Resale. Enter sales which will be resold to others. You must obtain a completed copy of Form 3372, or the same information in another format, to support this deduction.

Line 5b. Industrial Processing/Agricultural Producing. Enter sales of tangible personal property and services to persons entitled to exemption as industrial processors or agricultural producers. The property sold must be for direct use in producing a product for eventual sale. You must obtain a completed copy of Form 3372, or the same information in another format, to support this deduction.

Line 5c. Interstate Commerce. Enter sales made in interstate commerce. To claim such a deduction, the property or service must be delivered by you to the purchaser out of state. Property transported out

Line 11: Figuring Your Discount

You can receive a discount by filing your sales or use (on sales and rentals) **taxes early or timely**. Any portion of taxes paid by the 12th of the month are discounted 3/4 of 1%. Taxes paid between the 12th and the 20th (including the 20th), are discounted 1/2 of 1%. **Discounts apply only to 2/3 (.6667) of the sales and/or use tax collected at the 6% tax rate.** Use Chart 1 to see if you need to do any calculation. If you do, use Chart 2 to figure your discount. Complete the chart once for use tax and once for sales tax.

Chart 1

Monthly Filers

If your tax is less than \$9, complete Chart 2

Paying by the 12th If your tax is \$9 - \$1,200 enter \$6 on worksheet line 11

If your tax is more than \$1,200 complete Chart 2

Paying by the 20th If your tax is \$9 - \$1,800 enter \$6 on worksheet line 11

If your tax is more than \$1,800 complete Chart 2

Quarterly Filers

If your tax is less than \$27, complete Chart 2

Paying by the 12th If your tax is \$27 - \$3,600 enter \$18 on worksheet line 11

If your tax is more than \$3,600 complete Chart 2

Paying by the 20th If your tax is \$27 - \$5,400 enter \$18 on worksheet line 11

If your tax is more than \$5,400 complete Chart 2

Chart 2

Paying by the 12th? (Maximum \$20,000)

Amount you are paying early \$ _____
x .6667

STOP. See below.*

x .0075

Discount Amount = \$ _____

Enter on worksheet line 11

Paying by the 20th? (Maximum \$15,000)

Amount you are paying timely \$ _____
x .6667

STOP. See below.*

x .005

Discount Amount = \$ _____

Enter on worksheet line 11

* If you pay your tax monthly and this amount is \$6 or less, enter this amount on your worksheet line 11. If you pay your tax quarterly and this amount is \$18 or less, enter this amount on your worksheet line 11. **All others, finish the chart.**

of state by the purchaser does not qualify under interstate commerce. You must keep documentation of shipment out of state to support this deduction.

Line 5d. Exempt Services. Enter charges for nontaxable services billed separately, such as repair or maintenance, if these charges were included in gross receipts on line 1. Any costs incurred before the property is transferred to the buyer (including shipping, handling and delivery charges) are not considered services and are taxable.

Line 5e. Tax Paid to the Secretary of State.

Column A - Does not apply.

Column B - Enter sales by licensed vehicle dealers (not including tax) of vehicles and mobile homes on which you paid sales tax to the Secretary of State.

Line 5f. Food for Human/Home Consumption

Enter total of retail sales of grocery-type food, excluding tobacco and alcoholic beverages. Prepared food is taxable.

Line 5g. Bad Debts. You may deduct the amount of bad debts if the bad debt was documented as a taxable transaction in your records.

Line 5h. Michigan Motor Fuel or Diesel Fuel Tax. **Column A** - Does not apply.

Column B - Retailers may deduct the Michigan motor fuel taxes that were included in gross sales on line 1 and paid to the State or the distributor.

Line 5i. Other Deductions

Include deductions not covered in items 5a - 5h on this line. Examples of deductions are:

- Assessments imposed under the Convention and Tourism Act, the Convention Facility Development Act, the Regional Tourism Marketing Act or the Community Convention or Tourism Marketing Act. Hotels and motels may deduct the assessments included in gross sales and rentals provided use tax on the assessments was not charged to the customers.
- Credits allowed to customers for voluntary return of merchandise previously sold and originally subject to sales tax. Credit, including tax charged, must be granted to the customer. If returned for full credit within four years, a full credit of tax should be granted. If returned for partial credit within 180 days or within seller's stated refund policy, whichever is sooner, a partial refund of tax must be granted. Repossessions are not allowable credits.

- Direct sales to the United States Government, State of Michigan or its political subdivisions. Direct sales not for resale to certain nonprofit agencies, churches, schools, hospitals and homes for the care of children and the aged, provided such activities are nonprofit and payment is directly from the funds of the exempt organization. You must obtain a completed copy of Form 3372, or the same information in another format, to support this deduction.
- Sales to contractors of materials which will become part of a finished structure for a qualified exempt nonprofit hospital, qualified exempt nonprofit housing entity or church sanctuary. You must obtain a completed copy of Form 3372, or the same information in another format, to support this deduction. In addition, the purchaser will provide Form 3520, *Michigan Sales and Use Tax Contractor Eligibility Statement*. See *Revenue Administrative Bulletin 1999-2*.
- Sales to companies who claim direct payment of use tax to the State of Michigan. Such companies must have a sales tax license or use tax registration, and have a letter from Treasury specifically granting direct payment authority. You must retain a copy of your customer's direct pay authority letter to support future exemption claims. You must obtain a completed copy of Form 3372, or the same information in another format, to support this deduction.
- Purchases for resale or lease on which sales or use tax was paid to the supplier.
- Qualified nonprofit organizations may take a deduction of their sales if total sales are less than \$5,000. If total sales are \$5,000 or more, the entire amount of sales is subject to tax. For qualifications see *Revenue Administrative Bulletin 1995-3*.

Line 5j. Tax included in Gross Sales.

Column A - Does not apply.

Column B - Complete this line only if you have tax included in your gross sales. Subtract the sum of lines 5a through 5i from the gross sales in each column. Divide the result by 17.6667 and enter on line 5j.

Line 5k. Total Deductions. Enter total of lines 5a through 5j.

Line 6. Subtract line 5k from line 4 to determine the sales subject to tax.

the late payment is received within the first two months of the due date. For each subsequent month, or part thereof, the penalty increases by an additional 5% of the tax due. The maximum penalty is 25%.

Interest is charged daily at a rate of 1% above the prime rate. The interest rate is adjusted on January 1 and July 1.

Example: If the payment or return was due February 20 but is not received until June 7, calculate the penalty as follows:

2/21 to 4/20 (2 months) = 5%

4/21 to 5/20 (1 month) = 5%

5/21 to 6/7 (partial month) = 5%

Total penalty = 15%

In addition, add interest at 1% above the prime rate as computed on the total tax due shown on line 17. A **penalty and interest calculator** is available on Treasury's Web site.

Line 19. Michigan Business Tax Estimate. See page 45 for information on filing a combined estimate.

Line 20. Add lines 17, 18 and 19 and enter total.

DO NOT ENTER CREDIT FIGURES ON THE RETURN.

Using credit figures on the return may result in a tax assessment. Carry credits forward on your worksheet instead.

Line 21. Enter any credits for your account here.

Line 22. Subtract line 21 from line 20. This is the amount of tax due. Enter this amount on your combined return and make your check payable for this amount.

IMPORTANT: Reduce each of the taxes reported on the combined return to reflect the amount of the credit. If the amount on worksheet line 22 is less than zero, enter zero on your return. Do not put amounts on any other line. Carry the rest of the credit forward to the worksheet for the next filing period.

Filing Instructions for your Returns and Vouchers

To prepare your return accurately, complete your worksheet before attempting to complete your return. Each item on the return corresponds to a line number on the worksheet.

Enter your amounts carefully and completely in the boxes provided. **Do not write any messages, credit amounts or symbols (+, -, ()) on the**

returns or vouchers; returns are processed by automated equipment. Instead, use Form 163 or write to Treasury.

Use Form 160 if you are paying all the taxes due at one time either on the 12th or the 20th. If you are paying only part of your tax, use Form 161. The Form 161 voucher is a payment form only and does not replace the return. A return is still required even if no tax is due.

Complete the form and carefully detach it. Make sure you are sending the form for the correct filing period. Make your check payable to the **"State of Michigan"** and write **"SUW"** and your **account number** on your check. Do not fold your check or this form. Using a #10 business envelope, mail the form and check to the address printed on the bottom of your return or voucher.

Discount Voucher (Form 161)

On the first line (tax amount you are paying early), enter the amount of each tax (sales or use) you are paying early. Remember, if you are paying all your tax (even by the 12th), use the monthly/quarterly return.

On the second line (discount amount from chart), enter the amount of discount for each tax type that you computed using the charts on page 9.

On the third line (tax minus discount), subtract the discount from the amount due and enter here.

Combined Return (Form 160)

Sales tax. Enter the amount from worksheet line 10B.

Sales tax discount. Enter the amount from worksheet line 11B. Be sure to include any discount you may have taken if you filed a voucher by the 12th.

Use tax (sales/rentals). Enter the amount from worksheet line 10A.

Use tax discount. Enter the amount from worksheet line 11A. Be sure to include any discount you may have taken if you filed a voucher by the 12th.

Use tax (purchases). Enter the amount from worksheet line 14b.

Michigan withholding. Enter the amount from worksheet line 16.

MBT Estimates. Enter the amount from worksheet line 19 that you are paying with this return.

Voucher payment. Enter the amount of tax paid early from the total payment line of the discount voucher. This is *not* a credit or subtotal line. Only enter an amount here if you filed by the 12th.

Penalty and interest. Enter the amount from worksheet line 18.

Total payment. Enter the amount of your check.

General Instructions – Annual Return Filing Requirements

You must file the annual return if you are registered for sales or use tax or income tax withholding in the State of Michigan. Monthly and quarterly filers must file an annual return on a calendar-year basis (not your fiscal year).

Taxpayers who have multiple active account numbers (ME and/or FEIN) in a tax year are **required** to file separate annual returns for each account number assigned. Take time to identify the registered tax types for each account number and include only those tax figures on the corresponding annual return. If you have an outside payroll or accounting agency, coordinate this filing responsibility with them.

If during the year your accumulated sales, use and withholding taxes become \$750 or more, you must notify Treasury to change your filing status and provide you with the appropriate tax returns.

All annual returns must be signed and dated by the taxpayer or the taxpayer's authorized agent. This may be the owner, partner, corporate officer or officer's agent or association member, officer or agent. No other person may sign for the taxpayer in the taxpayer's signature box.

W-2 Wage and Tax Statements

You must furnish W-2 statements to your employees by January 31. Refer to the "Amended Returns" section on page 8 for amending W-2 statements.

Employers with Michigan employees must report W-2 information to Michigan on or before February 28 by enclosing W-2 forms with the annual return.

A 1099-MISC must be filed for services performed in the State of Michigan, regardless of the state of residence of the payee, whether there was withholding or not.

Taxpayers not registered for withholding should file correspondence with the business account number and mail to:

Michigan Department of Treasury
Lansing, MI, 48930

If you have 250 or more Michigan employees, you must report using magnetic tapes or diskettes. If you have fewer than 250 employees, you may report using magnetic media or using the state copy of the federal W-2. See page 38 for specifics about magnetic reporting.

Mail your annual return and all W-2 information to:

WITH PAYMENT:

Michigan Department of Treasury
Department 78172
P.O. Box 78000
Detroit, MI 48278-0172

WITHOUT PAYMENT:

Michigan Department of Treasury
Lansing, MI 48930

Address your tapes or disks to:

Return Processing Division
Magnetic Media Unit - SUW
Michigan Department of Treasury
Lansing, MI 48930

ANNUAL RETURN: Line-by-Line Instructions

Note: If you pay only income tax withholding or file once a year and do not have deductions, use the instructions on page 15.

Sales and Use Tax

Lines 1 through 9. Monthly and quarterly filers, in each column add the entries from all your worksheets for the year and enter the totals on the corresponding line on the annual return.

Taxpayers who file only once annually, follow the line-by-line instructions for the monthly and quarterly worksheet, beginning on page 8.

Line 10. Add lines 8 and 9 and enter the totals in each column.

Line 11. Taxpayers filing monthly or quarterly, enter the total discounts allowed for the year in each column. Total the amounts from the monthly or quarterly worksheet line 11 in each column. Include discounts from Form 2189 and Form 92, *Vehicle Dealer Supplemental Report*.

Taxpayers filing once annually receive a discount if the return is filed timely. The discount applies only to 2/3 (.6667) of the sales and/or use tax collected at the 6% tax rate. Use Chart 3 on page 15 to figure your discount.

If you opened for business late in the year or ended your business early in the year, the \$6 per month discount is allowed only for the months you were in business. No discount is allowed if the return is filed after February 28.

Line 12. Net tax due. Subtract line 11 from line 10 and enter the differences in each column.

Line 13. Enter the total amount of each tax paid after discounts during the report year. **Be sure to include the amount from your gasoline retail or gasoline supplier and wholesale reports.** Do not include any penalties or interest paid. This amount should be the total of all payments for the year from your monthly/quarterly worksheet line 12.

Use Tax on Purchases Only

Line 14. Enter purchases which were taxable at the 6% rate. Multiply by .06 and enter the tax due on the line at the far right.

Line 15. Enter the use tax on purchases paid during the year. This amount should be the total of all payments for the year from your monthly/quarterly worksheet line 14b.

Income Tax Withholding

Line 16. Enter your gross Michigan payroll and other taxable compensation for the year, and any amount from box 7 on Form 4119.

Line 17. Enter the number of W-2 statements, 1099-MISCs, plus 1099s, 1099-Rs and Form 4119, with Michigan withholding you are submitting for the year.

Line 18. Enter the total Michigan income tax withheld for the year as shown on the W-2 and 1099-MISC statements and from Box 8 of Form 4119.

Line 19. Enter the total Michigan income tax withheld that was paid on your monthly or quarterly returns. This should be the total of line 16 on all your worksheets for the year. (Do not include penalty and interest.)

Summary

Line 20. Total the taxes due. Add lines 12A and B, 14b and 18 and enter the total here.

Line 21. Total taxes paid. Add lines 13A and B, 15 and 19 and enter the total here.

Line 22. If line 21 (tax paid) is greater than line 20 (tax due), enter the difference (overpayment) here.

Line 23. Enter the amount of the overpayment that you want applied to your monthly or quarterly return. Treasury will notify you when your credit is available.

Line 24. Enter the amount of overpayment from line 22 you want refunded to you. Refunds will not be made in amounts of less than \$1.

Line 25. If line 21 (tax paid) is less than line 20 (tax due), enter the additional tax due. Pay any amount \$1 or over with this return.

Line 26. If your return is late, compute the penalty and interest due. If no tax is due on line 25, the penalty is \$10 per day to a maximum of \$400.

If you have a tax due on line 25, the penalty is as follows:

- 5% of the tax due (line 25) if the late payment is received within 2 months of the due date.
- 5% of the tax due for each subsequent month, or part thereof, the tax is not paid.
- Maximum penalty is 25% of tax due.
- Interest is due at the rate of 1% above the prime interest rate from the day the tax is due until it is paid. The prime rate will be adjusted January 1 and July 1.
- A **penalty and interest calculator** is available on Treasury's Web site at **www.michigan.gov/taxes**.

Line 27. Amount due with this return. Add lines 25 and 26. **Make check payable to the "State of Michigan."** Write your **account number** and **"SUW"** on your check. Do not pay if the amount due is less than \$1.

ANNUAL RETURN – Simplified

Instructions for Annual Filers With No Deductions

If you file just once a year (no quarterly or monthly payments) and have no allowable deductions, use these instructions to complete your return faster.

If you are not registered for sales or use tax, skip to step 9.

Step 1: Complete lines 1 - 4.

Step 2: Enter the amount from line 4 on line 6.

Step 3: Multiply the amount on line 4 by the tax rate (6%), and enter the result on line 8.

Step 4: Enter on line 9 any amount you collected in excess of line 8. For example, if you entered \$40 on line 8 but actually collected \$50, enter \$10 on line 9.

Step 5: Add lines 8 and 9 and enter on line 10.

Step 6: Line 11 is your discount amount. You are eligible for a discount if you pay the tax due by February 28. The discount applies only to 2/3 (.6667) of the sales and/or use tax collected at the 6% tax rate. Use Chart 3 below to figure your discount and enter it on line 11.

If you were only open part of the year, multiply the number of months you were open by \$6. Compare that against the discount amount you figured in Chart 3. Enter the smaller of these two numbers on your worksheet line 11.

Step 7: Unless you paid tax during the year, line 13 should be zero.

Step 8: If you bought any goods during the year from an out-of-state vendor and did not pay sales tax on them or if you took items from inventory for personal or business use, complete lines 14 and 15. See page 5 for more information about the use tax.

Step 9: If you have employees, complete lines 16-19. If you have no employees, enter zero on line 19.

Step 10: Summary. Complete lines 20 and 21. Enter the difference on line 25. If paying late, enter any penalty or interest due on line 26 and total your amount due on line 27.

Step 11: Transfer the information from your worksheet to your return. Keep your worksheet for your records.

Make your check payable to the “State of Michigan.” Write your account number and “SUW” on your check. If you are filing your return with any other remittance form, send a separate check for each form.

WITH PAYMENT:

Michigan Department of Treasury
Department 78172
P.O. Box 78000
Detroit, MI 48278-0172

WITHOUT PAYMENT:

Michigan Department of Treasury
Lansing, MI 48930

Chart 3

If your tax due is less than \$108...

| | |
|----------------------------|----------|
| Amount of tax due | \$ _____ |
| | x .6667 |
| Discount Amount = | \$ _____ |
| Enter on worksheet line 11 | |

If your tax due is \$108 or more...
Enter \$72 on worksheet line 11.

Michigan Business Tax Estimates

Michigan Business Tax (MBT) is a tax on Michigan business income and modified gross receipts (except for insurance companies and financial institutions). MBT replaced the Single Business Tax (SBT) effective January 1, 2008. MBT is due only if a taxpayer's apportioned or allocated gross receipts are \$350,000 or greater for the tax year. As a convenience to taxpayers, you may pay your MBT quarterly estimates with your sales, use and withholding (SUW) taxes return. If you choose this option, you need to file only one form and write one check for all the taxes you pay.

Who must file?

Taxpayers with an annual MBT liability expected to exceed \$800 must make estimated payments.

Taxpayers include a single person or entity or a unitary business group. A unitary business group means a group of United States persons, other than a foreign operating entity, one of which owns or controls, directly or indirectly, more than 50% of the ownership interests with voting or comparable rights of the other United States persons and that (a) has business activities resulting in a flow of value between or among persons in the group, or (b) has business activities that are integrated with, are dependent upon or contribute to each other.

For a calendar year taxpayer, quarterly returns are due the 15th day of April, July, October and January. For fiscal year filers, quarterly returns are due the 15th day of the first month after each quarter. Any quarter less than three months is due on the 15th day of the month immediately following the final month of the taxpayer's tax year. You may make your payments with either of the following returns:

- Form 4548, *Michigan Business Tax Quarterly Return*, or
- Form 160, *Combined Return for Michigan Taxes*.

If filing monthly using Form 160, monthly payments may be filed on the 20th day of the month. For example, a calendar year taxpayer may file a monthly MBT estimate using Form 160 on April 20 rather than April 15 so long as the estimate for that month is consistent with the instructions below. However, for taxpayers required to make remittances by EFT and not using Form 160, MBT estimates remain due on the 15th day of the month

following the final month of the quarter. The estimated MBT for the quarter must also reasonably approximate the liability for the quarter.

How much should I pay?

Your estimated MBT payment may be computed on the actual business income tax base and modified gross receipts tax base of the period combined. Enter the estimated MBT payment amount on line 19 of the monthly worksheet in this booklet. No interest will be charged if payments are made on time and the sum of the estimated payments equals at least 85% of your annual liability, and the amount of each payment reasonably approximates the tax liability incurred during the period.

Estimates cannot be based on the prior year's SBT liability and cannot be based on 1% of gross receipts.

How do I estimate my liability?

For taxpayers with apportioned or allocated gross receipts of \$350,000 or more, the MBT is comprised of a 4.95% tax on business income and a 0.8% tax on modified gross receipts. A credit phases in tax liability for taxpayers with gross receipts between \$350,000 and \$700,000.

Insurance companies and financial institutions pay different taxes with different tax bases, without regard to any filing threshold. Please refer to the Michigan Business Tax Act (MCL 208.1101 *et seq.*) for further instructions.

For most taxpayers, the business income tax base is that part of federal taxable income derived from business activity, with certain adjustments.

Additions (to the extent deducted or excluded from federal taxable income) include:

- Interest income and dividends derived from obligations or securities of states other than Michigan,
- Taxes on or measured by net income and the tax imposed under the MBT,
- Any carryback or carryover of a net operating loss,
- Loss attributable to another taxable entity,
- Royalty, interest, or other expense paid to a person related to the taxpayer by ownership or control for the use of an intangible asset if the person is not included in the taxpayer's unitary business group.

Subtractions (to the extent included in federal taxable income) include:

- Dividends and royalties received from persons other than United States persons and foreign operating entities,
- Income attributable to another taxable entity,
- Interest income derived from United States obligations,
- Earnings that are net earnings from self-employment as defined under section 1402 of the internal revenue code of the taxpayer or a partner or limited liability company member of the taxpayer except to the extent that those net earnings represent a reasonable return on capital.

The modified gross receipts tax base consists of gross receipts less purchases from other firms. Gross receipts means the entire amount received by a taxpayer from any activity carried on for direct or indirect gain, benefit or advantage to the taxpayer or to others, with certain specific exceptions.

“Purchases from other firms” means:

- Inventory acquired during the tax year.
- Depreciable assets acquired during the tax year.
- To the extent not included in inventory or depreciable assets, materials and supplies, including repair parts and fuel.
- Other expenses for staffing companies and certain construction contractors.

Some taxpayers may find that business income, gross receipts and purchases from other firms may be approximated using monthly profit and loss statements.

For more comprehensive information regarding the MBT, visit the MBT Web site at

www.michigan.gov/MBT. This Web site contains information taxpayers may find helpful in determining their estimated tax liability. Note, reliance on information found on the Web site does not protect a taxpayer from imposition of interest and penalties should the sum of the taxpayer’s estimated payments not equal 85% of the taxpayer’s MBT liability for the 2008 tax year.

How do I report these payments?

Regardless of which form you use to file estimated MBT payments, report **all** MBT estimated payments on your annual MBT return. An annual return is required only from taxpayers whose apportioned or allocated gross receipts are \$350,000 or greater. If your gross receipts are below this filing

requirement but you made estimated payments during the tax year, file a return to claim a refund of your payments. For more information, see the Michigan Business Tax Act, MCL 208.1101 *et seq.*

Revenue Administrative Bulletins

A Revenue Administrative Bulletin (RAB) is a directive issued by Treasury. Its purpose is to promote uniform application of tax laws throughout the State and provide information and guidance to taxpayers. An RAB states the official position of Treasury, has the status of precedent in the disposition of cases unless and until revoked or modified, and may be relied on by taxpayers in situations where the facts, circumstances and issues presented are substantially similar to those set forth in the RAB. A taxpayer must consider the effects of subsequent legislation, regulations, court decisions and RABs when relying on an RAB. See RAB 1989-34 for more information.

To access a copy of a particular RAB, go to **www.michigan.gov/treasury** or call (517) 636-4730.

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Unclaimed Property Reporting for Businesses

Michigan's Uniform Unclaimed Property Act (Public Act 29 of 1995) requires holders of unclaimed property to report and remit property belonging to owners who cannot be located or for whom there is no known address. Every business that has uncashed checks (payroll, vendor, dividends, etc.) must file a report and turn the funds over to the Michigan Department of Treasury, Unclaimed Property Division. Unclaimed property could also include cash, deposits, interest, stocks or contents from safe deposit boxes.

Section 31 (2) of the Uniform Unclaimed Property Act gives the State Treasurer the authority to conduct unclaimed property examinations to determine compliance with the Act.

WHO MUST REPORT. Every individual, partnership or corporation who has unclaimed property belonging to someone whose last known address is in Michigan must report. If the owner's last known address is in another state or country and the holder does not report under the provisions of that state or country, then report those interests to Michigan.

DORMANCY PERIODS. Generally, property in your custody that belongs to someone else and has gone unclaimed for five years must be reported. However, dormancy periods will vary based on the type of property. Visit Treasury's Web site at www.michigan.gov/unclaimedproperty for more detailed information about dormancy periods.

REPORTING DUE DATE. Holder reports are due by November 1 each year and must

contain all items considered unclaimed as of June 30. Enclose payment with the report to cover the amount reported. If you have unclaimed property and fail to pay or deliver it timely to the State of Michigan, you may be liable for interest at the current monthly rate of one percentage point above the adjusted prime rate on the value of the property. Civil penalties may also apply for not filing.

CLAIMING FUNDS. To check if funds are being held for you, your family or your business entity, visit Treasury's Web site at www.michigan.gov/unclaimedproperty.

FOR MORE INFORMATION. Visit Treasury's Web site or write to Unclaimed Property Division, Michigan Department of Treasury, P.O. Box 30756, Lansing, MI 48909, or call (517) 636-5320.